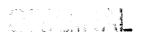
W. Scott Randolph Director - Regulatory Matters





GTE Service Corporation

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December 8, 1999



EX PARTE OR LATE FILED

Ms. Magalie R. Salas Secretary Federal Communications Commission 445 Twelfth Street, S.W. Washington, DC 20554

Ex Parte: Intercarrier Compensation for ISP-Bound Traffic - CC Docket No. 964

Dear Ms. Salas,

On December 6, 1999, Lee Jones, Steve Pitterle, Greg Windmiller, Alan Ciamporcero, and myself met with Jane Jackson, Deena Shetler, and Rodney McDonald of the Common Carrier Bureau to discuss GTE's positions in the above captioned proceeding. The attached document was used in the discussions.

Pursuant to Section 1.1206(a)(1) of the Commission's rules, and original and one copy of this letter are being submitted to the Office of the Secretary. Please associate this notification with the record in the proceeding indicated above.

If you have any questions regarding this matter, please call me at (202) 463-5293.

Sincerely,

W. Scott Randolph

Director - Regulatory Matters

CC:

Jane Jackson, Deena Shetler Rodney McDonald

List AEODE

ISP SERVING ARRANGEMENTS Current State of Affairs

- The FCC has properly ruled that ISP bound traffic is interstate.
 - The FCC cannot defer this interstate matter to the states.
 - Sections 251 and 252 do not confer authority on the states to arbitrate reciprocal compensation issues relating to interstate traffic.
- Continuation of the existing reciprocal compensation arrangement creates powerful incentives to compete on the basis of an artificial "subsidy" as opposed to efficiency and innovation.

Current State of Affairs

- Ideally, the FCC should establish an integrated framework for all interstate network access arrangements.
 - The current access model is in theory the correct structure but is inflexible in that it would require the application of specific usage sensitive rate elements designed for other universal service objectives.
- At a minimum, the FCC should act quickly to define rules for negotiating compensation for ISP traffic.

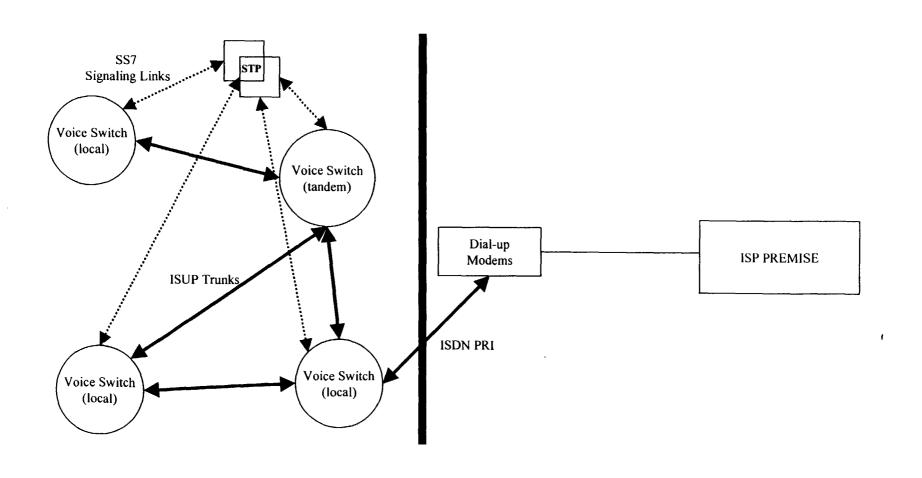
An Approach Based on Function Performed

- Any compensation arrangement between carriers must reflect and recognize both the appropriate costs of call handling and the corresponding revenues received by the carrier on whose network the call is originated.
 - Circuit Switched Technology
 - ISP switching functions are technically trunk-to-trunk and not consistent with local switching.
 - CLECs are currently billing full local switching rates.
 - ISP switching costs need to reflect higher ISP holding times for MOU duration (25-30 minutes vs. 3-4 minute call).
 - ISP switching pricing is approximately 10%-to-20% of the local switching rate.
 - New generation ISP Traffic Architectures
 - Use of SS7 Gateways versus circuit switched technology.
 - Per minute costs are significantly less than those for circuit switching.

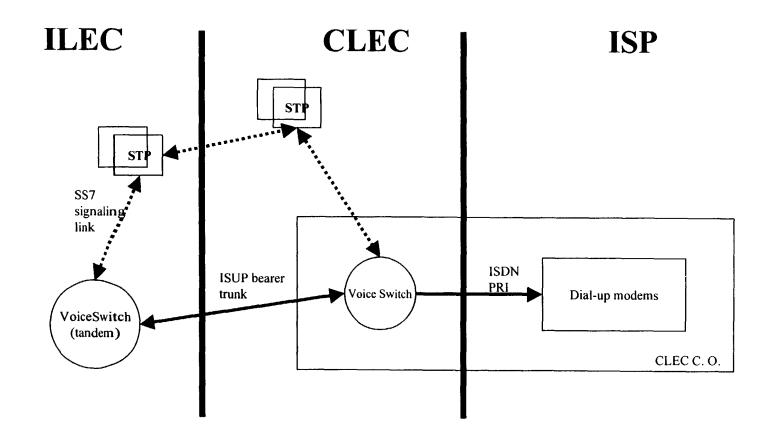
An Approach Based on Function Performed

- The actual rate charged should be consistent with the network configuration used and its associated cost pursuant to the 1996 Act and existing Commission rules:
 - Section 252(d)(2) Charges for transport and termination of traffic
 - Rule 51.711(a) Symmetrical Reciprocal Compensation

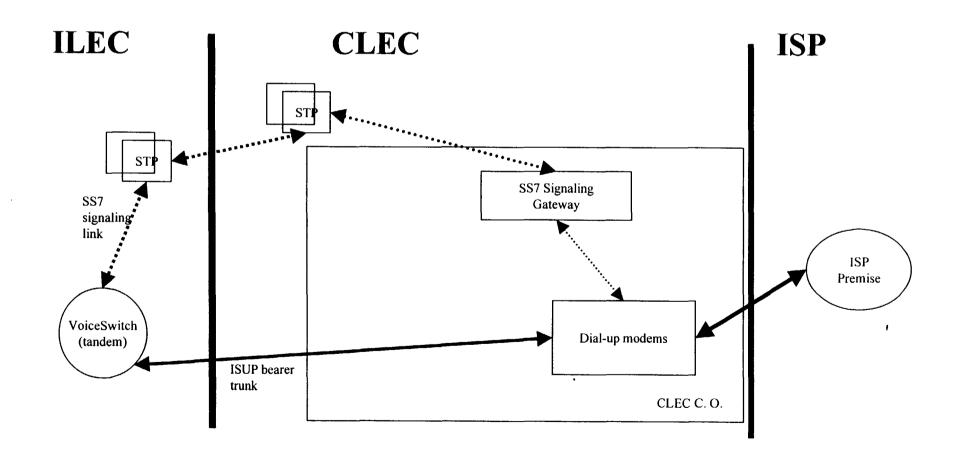
ILEC PRI Model



CLEC PRI Model



CLEC SS7 Model



ISP SERVING ARRANGEMENTS Summary

- The current access model in theory is the appropriate compensation structure for interstate traffic including ISP traffic.
 - All parties pay and receive compensation on a fair and equitable basis.
 - Incentives to compete on the basis of an artificial "subsidy" as opposed to efficiency and innovation are eliminated.
- If a decision is made to require some type of intercarrier compensation to be paid between LECs for ISP bound traffic then the compensation should be based on the cost characteristics of the technology employed:
 - Circuit Switched (trunk-to-trunk rate adjusted for longer holding time)
 - New generation Platforms (SS7 Gateways)